

Internal Revenue Service

Department of the Treasury

District
Director

31 Hopkins Plaza, Baltimore, MD 21201

► MAR 26 1998

Person to Contact

Contact Telephone Number

Date

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for exemption under this section. Our reasons for this conclusion and the facts on which it is based are explained below.

The evidence submitted indicates that you were formed as an unincorporated non-profit organization for the following purposes.

1. To promote the dissemination of information concerning our particular industry, brand affiliation, our dealership and our professions.
2. To provide an active forum for the exchange of feedback to and from the manufacturer.
3. To provide an association whereby Parts and Service Managers who are engaged in similar work, can socialize and develop better working relationship and promote cooperation for the betterment of themselves and their customers.
4. To engage in any other lawful activities which may hereafter be authorized from time to time by the Executive Committee, provided, however, that the purposes which the organization is formed for shall at all times be consistent with Section 501(c)(3) of the Internal Revenue Code of 1986, as it now exists or as hereafter amended.

Your activities, as described in your application, will consist primarily of conducting quarterly meetings. The agenda for these meetings will include the following topics which will have allocated to them the approximate times for discussion. These topics will be Club Business, 15% New Business, 15% Lecture/Discussion by Guest Speakers on topical issues, 50% and Fellowship and Social Period, 20%.

You state in your application in order to qualify for membership in your organization, a "member must be an active Service or Parts Manager at a car dealership".

Income to your organization has been estimated at \$10,000 for 1998.

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to Bureau
Date
Form 1987-A (Rev. 1-87)

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Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chamber of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Thus for an organization to achieve business league status, the following requirements must be met. Section 1.501(c)(6) of the Income Tax Regulations requires a business league to be:

1. An association of persons having some common business interest,
2. Whose purpose is to promote the common business interest,
3. Not organized for profit,
4. That does not engage in a business ordinarily carried on for profit,
5. Whose activities are directed to the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons, and
6. Of the same general class as a Chamber of Commerce or Board of Trade.

Revenue Ruling 67-77, 1967-1, C.B. 138, discusses an organization composed of dealers of a single make of automobile. Membership in the organization was restricted to dealers who held franchises for the sale of this automobile in a designated area. The organization was formed to unite dealers in that area and to finance general advertising campaigns to promote the sale of automobiles, parts and services. This revenue ruling holds that the organization is not entitled to exemption as a business league as described within section 501(c)(6) of the Code.

In National Muffler Dealers Association, Inc. v. U.S., 440, 472, (1978), the Court held that an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business.

Our review of the information submitted with your application indicates that your organization is operating in a manner indistinguishable from the entities described in National Muffler Dealers Association and Revenue Ruling 67-77. Your activities do not further the business conditions of the automobile industry as a whole since you are only promoting one brand of automobile. By operating in this manner your activities are performing particular services for your members which prevents exemption under section 501(c)(6) of the Code.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code. In accordance with this determination, you are required to file federal income tax returns on Form 1120.

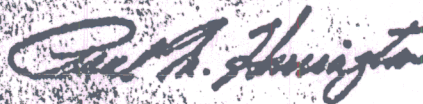
If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you do not appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours



District Director

Enclosure: Publication 892